

SUBCOMMITTEE 4

FINAL ACTION REPORT

Senate Budget and Fiscal Review

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SUBCOMMITTEE No. 4

STATE ADMINISTRATION, GENERAL GOVERNMENT, JUDICIAL, and TRANSPORTATION

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TRANSPORTATION

2600 CALIFORNIA TRANSPORTATION COMMISSION

- Approved as budgeted. This includes a baseline state operations augmentation of \$555,000 – resulting in state operations budget of \$2.1 million to cover cost increases for workers' compensation, legal fees, travel, and rent.

2640 SPECIAL TRANSPORTATION PROGRAMS

- Approved Finance Letter to augment the Special Transportation Programs by \$63.5 million, based on the Governor rescinding his January budget proposal to suspend Proposition 42.

2660 DEPARTMENT OF TRANSPORTATION

- Approved full Proposition 42 funding of \$1.3 billion GF and made related budget adjustments.
- Approved Finance Letter that revises the estimate of revenues from tribal-gaming bonds from \$1.2 billion to \$1.0 billion.
- Approved Finance Letter that reverts \$51.6 million in 2004-05, and adds an unallocated reduction of \$50 million in 2005-06, to generate savings to be redirected to highway capital-outlay expenditures.
- Approved three Finance Letters that add 1,058 workload units (positions and personnel-year equivalents in overtime or contract-out services) related to capital-outlay support project workload; however, increased new state staff and reduced contract-out work to save \$10.9 million. The revised total augmentation is \$163.4 million. A total of 550 new state positions were approved; which, when combined with existing vacancies, would have the state hiring new workers at what Caltrans and the employee bargaining units consider to be near the maximum practicable level of new hiring. New workload of 676 units is associated with revenue from the sale of tribal gaming bonds that repay transportation loans – budget bill language restricts expenditure for this workload to the amount of revenue actually received. Savings from the legislative changes is partially used to augment preventative highway maintenance (see bullet below).
- Approved Finance Letter to maintain highway maintenance funding at the 2004-05 level, but augmented the request by \$10.0 million to perform additional preventative maintenance.
- Approved Finance Letter to augment maintenance funding by \$25.9 million (\$11.2 million ongoing) and 82 positions for new storm-water workload related to recent legal settlements.

- Restored Environmental Enhancement and Mitigation (EEM) funding to its historic level of \$10 million. The Governor vetoed this restoration.

Budget Bill Language

1. *Added a new appropriation item and provisional language to separately appropriate funds for specialty building facilities from funds for highway preservation and rehabilitation.*

Trailer Bill Language

1. *Approved language appropriating Proposition 42 funds pursuant to the requirements of Article XIXB of the Constitution.*
2. *Approved language suspending the sales tax “spillover” transfer to the Public Transportation Account for 2005-06, which results in savings to the GF of \$380 million. Approved language suspending the first \$200 million of spillover revenue in 2006-07, to reduce the anticipated GF deficit for that fiscal year.*
3. *Modified the Administration’s trailer bill language related to tribal-gaming bonds to specify that any outstanding transportation loans not repaid by tribal gaming revenues remain a debt of the General Fund.*
4. *Approved language to eliminate the Transportation Development Advisory Committee. The Administration indicates there is no longer a need for this formalized advisory body.*

2665 HIGH SPEED RAIL AUTHORITY

- Approved Governor’s Budget proposal to augment funding by \$2.2 million (special fund) for legal costs related to the environmental impact report, and a “next-tier” program environmental impact report to study the Central Valley to San Francisco Bay Area portion of the planned high-speed train route.
- Approved Governor’s Budget proposal to augment funding by \$500,000 (special fund) for a financing plan, but added provisional language to prohibit expenditure of those funds if legislation is enacted in 2005 to delay the November 2006 high-speed rail bond vote.
- Augmented funding by \$650,000 - \$325,000 special fund and \$325,000 reimbursements from locals, to complete a Southern San Joaquin Valley Station Study. The Governor vetoed this augmentation.

2720 CALIFORNIA HIGHWAY PATROL

- Approved Governor's Budget proposal to increase funding by \$5.4 million to fully fund overtime costs.
- Approved Governor's Budget proposal to increase funding for inflation, including gasoline costs and insurance; however, reduced that amount by a net of \$1.8 million – to \$15.4 million, to reflect updated cost estimates.
- Approved Governor's Budget proposal to increase funding by \$10.2 million for various capital outlay projects.

2740 DEPARTMENT OF MOTOR VEHICLES

- Approved Finance Letter to augment expenditure authority by \$4.1 million for a vehicle insurance reporting information technology project related to meeting the requirements of SB 1500 (Chapter 920, Statutes of 2004, Speier) and AB 2709 (Chapter 948, Statutes of 2004, Levine).
- Approved Finance Letter to augment funding by \$6.6 million to pay credit card convenience fees, which have previously been paid by customers or absorbed within the existing Department budget. Changed funding from permanent to two-year limited-term.

Trailer Bill Language

1. *Modified language requested by the Administration to delay the implementation of SB 1500 (Chapter 920, Statutes of 2004, Speier), which related to electronic reporting of automobile insurance. The Administration requested the date be moved to January 1, 2007. The adopted language would allow the date to be moved to October 1, 2006, if specified conditions are met.*

STATE ADMINISTRATION

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

- Approved Finance Letter to augment the agency's budget by \$7.3 million (General Fund) to fund the California Travel and Tourism Commission.
- Rejected Finance Letter to augment the agency's budget by \$500,000 (General Fund) to upgrade the CinemaScout server and software, which is a digital library used in selecting potential film location sites.
- Appropriated \$2.0 million (special fund) to support a newly created Chrome Plating Pollution Prevention Loan program. The Governor vetoed this funding.
- Appropriated \$150,000 (General Fund) and added one position to fund a Small Business Advocate. This position was previously placed in the Office of Planning and Research, but not utilized by the administration. The Governor vetoed this funding.

0595 OFFICE OF THE STATE INSPECTOR GENERAL

- Rejected the proposed establishment of an Office of the State Inspector General for investigations and audit activities of state departments. The Legislature proposed shifting funding of \$2.3 million to the existing investigations and audit programs of the Office of State Audits and Evaluations located within the Department of Finance (\$1.15 million) and the Bureau of State Audits (\$1.15 million). The Governor subsequently vetoed funding for these activities.

0650 OFFICE OF PLANNING AND RESEARCH

- Approved funding of \$188,000 for writing and assisting in the implementation of consultation guidelines for local agencies to use when negotiating with tribal communities. The primary purpose of these guidelines is to encourage the protection of Native American lands.

Trailer Bill Language

1. *Approved language to eliminate the Small Business Reform Task Force. The elimination is a component of the Governor's proposal to eliminate 13 "nonessential" boards and commissions.*

0840 STATE CONTROLLER'S OFFICE

- Augmented the budget by \$996,000 (General Fund) and 11 positions to expand audits of state mandate claims. Based on audit finding rates in the last few years, a benefit-to-cost ratio of over 30-to-1 is anticipated.
- Approved a funding level of \$10.4 million and 23 positions for the planning and design phase of the Human Resource Management System—21st Century Project. This multi-year project will replace the state's employment history, payroll, leave accounting, and position control systems.
- Approved request for \$1.2 million (General Fund) to establish a local government "e-claims" filing system for mandate claims. The product will enable state mandate claimants to enter cost claims directly into the State Controller's Office (SCO) main database via the Internet, using e-forms and electronic signatures. Based on the improved data management and audit capacity, this system is expected to save \$14 million in 2006-07 and beyond.
- Rejected a \$100,000 (General Fund) two-position augmentation for the SCO's Property Tax Postponement program. The administration anticipated that this program would have encountered increased workload resulting from the Governor's move to augment the Senior Citizens' Property Tax Deferral program. The Senior Citizens' Property Tax Deferral program is also discussed under Item 9100, Tax Relief.

Supplemental Report Language

- 1. Adopted supplemental report language requiring the State Controller's Office to report on its local government e-claims system, including a progress report on its implementation, costs, savings, and recommendations for improvements to the system.*

0845 DEPARTMENT OF INSURANCE

- Augmented the Fraud Workers' Compensation program by \$1 million (Insurance Fund) to fund increased investigation and prosecution of workers' compensation fraud and the willful failure to secure payment of workers' compensation.
- Increased funding for the Organized Automobile Fraud Activity Interdiction program (Urban Grant program) by \$2.5 million (Insurance Fund).
- Distributed \$2.9 million (Insurance Fund) from the Fraud Automobile and Urban Grant programs to local District Attorneys.
- Reduced a personal computer technology refresh request by \$49,000, reflecting an extended replacement schedule.

0850 STATE LOTTERY COMMISSION

- Approved as budgeted--\$107.9 million.

0860 BOARD OF EQUALIZATION

- Augmented the Board of Equalization (BOE) budget by \$690,000 (General Fund) for preliminary plans, working drawings, and a prototype fix to repair the exterior windows of the BOE headquarters building in Sacramento.
- Appropriated \$3 million for ongoing implementation of an electronic tax stamp for cigarette packages. The newly encrypted stamp is anticipated to diminish black market sales by up to \$28.1 million annually.
- Augmented the BOE's Consumer Use Tax Collection Program by seven positions. An augmentation of eight additional positions was proposed in SB 77 but vetoed by the Governor, resulting in a net revenue loss of \$4.3 million.
- Approved \$2.3 million (reimbursements) to provide the BOE with sufficient resources to support the 24 newly-established Special Taxing Jurisdictions (STJ). These new STJs were established by local election in November 2004.
- Reduced funding for the e-waste recycling fee collection program by 11 positions and \$716,000 (General Fund) based on revised estimates of workload.

Budget Bill Language

1. *Adopted language requiring the BOE to report by April 1, 2006, on the actual costs for closure and consolidation of certain field offices and the decision criteria used to determine when an office will be closed.*

Trailer Bill Language

1. *Adopted language reducing the threshold for mandatory payment of taxes by electronic means from \$20,000 to \$10,000 per month.*

Supplemental Report Language

1. *Adopted language directing the BOE to report on the effect on taxpayer behavior of adjusting the threshold for mandatory payment of taxes by electronic means.*
2. *Adopted language to express the intent of the Legislature for the BOE to complete full implementation of the e-filing system for multiple location retailers (which would enable these businesses to file their claim forms online) by 2007.*

3. *Adopted language directing the BOE to report on the sales and use tax “tax gap,” including the size, major components, and strategies for reducing the tax gap.*
4. *Adopted language requiring BOE to report on existing tax information and data systems. The report will focus on systems related to the Personal Income Tax, Sales and Use Tax, and Corporation Tax.*

0890 SECRETARY OF STATE

- *Augmented the budget by \$242 million (federal funds) to carry out provisions of the Help America Vote Act (HAVA). Key components of the spending plan will be the replacement of outmoded voting equipment, creation of a statewide database of voters, and an information campaign on voters’ rights.*
- *Reduced a \$3 million proposal for special items of expense for elections by \$521,000, reflecting a share of election costs that will be covered by HAVA expenditures.*

Budget Bill Language

1. *Approved language related to HAVA expenditures that (1) proscribes the use of HAVA funds consistent with the approved expenditure plan, (2) requires quarterly reports to the Legislature, (3) allows legislative review of the feasibility study report and contract for a statewide voter database.*

Trailer Bill Language

1. *Approved language to eliminate the California Heritage Preservation Commission. The duties of the Commission, formerly shared with the California State Library, will be carried out by the California State Library. The proposal is a component of the Governor’s plan to eliminate 13 “nonessential” boards and commissions.*
2. *Repealed the Handicapped Voter Access Information mandate. This mandate required county election officials to notify voters of handicapped-accessible polling places. Federal law now generally provides greater protections and rights for disabled voters than that of the handicapped voter access information mandate.*
3. *Repealed the Presidential Primaries mandate. This mandate was found to exist following the passage of Proposition 198 (the Open Primary Initiative, passed in 1996). When the U.S. Supreme Court found Proposition 198 to be unconstitutional, the county reporting*

requirements became unnecessary.

0950 STATE TREASURER'S OFFICE

- Approved as budgeted--\$22.7 million.

Budget Bill Language

1. *Adopted language to allow short term General Fund loans (specified as less than two months) to the State Treasurer's Office to meet cash flow needs.*

0985 CALIFORNIA SCHOOL FINANCE AUTHORITY

- Augmented the California School Finance Authority (CSFA) budget by \$19.7 million (federal funds) to provide expenditure authority for new federal grant awards for the lease and construction of K-12 charter school facilities.

1111 DEPARTMENT OF CONSUMER AFFAIRS

- Bureau of Automotive Repair: Approved administration's request to augment the Repair Assistance program by \$4.8 million (special fund) and 17 positions, and augment the Vehicle Retirement program by \$13.6 million (special fund) and 21 positions.
- Office of Privacy Protection: Approved a Finance Letter request to augment the budget by \$446,000 General Fund and add 4.7 positions, which more than doubles the existing staff.

1700 FAIR EMPLOYMENT AND HOUSING

- Approved Governor's Budget, including an unallocated \$211,000 General Fund reduction, and a Finance Letter technical correction.

1730 FRANCHISE TAX BOARD

- Augmented the Franchise Tax Board (FTB) budget by \$8.3 million General Fund and 96 positions for tax gap enforcement activities. These activities will include enhanced detection of tax preparers filing fraudulent returns, audit staff augmentation, additional tax information

resources, and underground economy criminal investigations. Expected revenues from these activities in 2005-06 are \$33.7 million.

- Extended 47 expiring limited-term positions (\$2.8 million General Fund) for two additional years for tax collection activities. Expected annual revenues are \$12.6 million.
- Redirected positions from a proposed “Informant Reward” Program to the tax collection program, which has a higher benefit-cost ratio. Anticipated revenues are approximately \$1.3 million. The collector positions will be established on a two-year limited-term basis.
- Extended, for three years, two attorney positions in order to continue efforts to expedite settlement of tax cases. Anticipated revenues in 2005-06 are \$5.8 million.
- Reestablished a “Discovery Audits” Program (\$1.7 million General Fund and 20 positions), which will unearth information on tax noncompliance by exploring avenues of tax evasion that are new or not fully understood by the FTB. Revenues are expected to exceed program costs.
- Transferred the FTB’s Child Support Full Collection Program to the Department of Child Support Services (DCSS), in accordance with Chapter 806, Statutes of 2004 (AB 2358, Steinberg). A total of 167 positions and \$12.4 million will be shifted to DCSS.
- Increased the FTB budget by \$3.9 million (General Fund) to carry out the final stages of the staff relocation to a new state office building and to renovate existing buildings on the Butterfield Campus in Sacramento.
- Augmented the FTB’s budget by \$17.5 million (\$5.9 million General Fund and \$11.5 million reimbursements) budget to provide funding for nine positions and vendor payments in order to continue the development phase for the California Child Support Automation System (CCSAS) project.

Budget Bill Language

1. *Adopted Budget Bill language to limit expenditures for the Ready Return Pilot tax return filing project to \$215,000 and specify that subsequent funding will be contingent upon the enactment of legislation. A related trailer bill (AB 129, Committee on Budget) reiterates these provisions.*
2. *Adopted Budget Bill language to require an addendum to the supplemental report prepared pursuant to the Budget Act of 2004, related to withholding on payments to independent contractors. This addendum will focus on tax compliance rates by independent contractors among certain business segments and analyze the effect of adding a withholding requirement to those segments. The Governor vetoed this provision.*

Supplemental Report Language

1. *Adopted language to require reporting on existing tax information*

and data systems. The report will focus on systems related to the Personal Income Tax, Sales and Use Tax, and Corporation Tax.

Trailer Bill Language

- 1. Adopted various trailer bill provisions of the Governor's "tax gap" budget change proposal. These changes include additional reporting by check cashers for transactions over \$10,000 and conformity with federal law regarding the disbarment of tax practitioners.*
- 2. Amended trailer bill to restrict the filing of misdemeanor charges against tax scofflaws. A related funding proposal to reestablish the misdemeanor program in FTB's investigations bureau (at a cost of \$1.3 million General Fund) was vetoed by the Governor, resulting in a revenue loss of \$2.5 million in the budget year and approximately \$5 million annually thereafter.*
- 3. Adopted language to limit the expenditure for the Ready Return Pilot tax return filing project to the 2004-05 expenditure level and specify that subsequent funding will be contingent upon the enactment of legislation. Also adopted Budget Bill language that reiterates these provisions.*

1760 DEPARTMENT OF GENERAL SERVICES

- Eliminated 120 positions and \$6.2 million in funding for the Office of State Publishing. The administration had proposed this reduction in the Governor's Budget to address recent operating losses and the growth of office-based printing. While the Legislature restored these positions, the Governor ultimately vetoed the restoration.
- Adopted reappropriations for capital outlay projects including: the Sacramento Central Plant renovation; Department of Corrections' San Quentin Building 22, Tehachapi Dormitories, and Tracy hospital; City of Richmond municipal buildings; Oakland Police Administration building; a Sacramento Department of Education building; and the Department of Transportation's Marysville Office Building.
- Augmented the department by \$163,000 and one position to reflect the transfer of the Employment Development Department's video production facility to DGS.
- Augmented the department by \$9.3 million and 73 positions to transfer the Special Education Alternative Dispute Resolution Program from McGeorge School of Law to the Office of Administrative Hearings. Trailer bill language requiring that the current level of service to schools and families of disabled students be maintained was added to the Education Code.

Budget Bill Language

1. *Adopted Budget Bill provisional language to requiring DGS to report on drug purchasing practices and contracts. The Governor vetoed this provision, erroneously asserting that this same information was already required in statute. The statute in question is suspended until 2008.*
2. *Adopted budget provisional language to clarify DGS's authority to increase reimbursements for unanticipated expenses.*
3. *Adopted language permitting the Director of DGS to establish a California State Travel Portal for the purpose of creating a centralized airline ticketing system and encourage the purchase of tickets at least two weeks before the flight.*
4. *Added language requiring a report to the Legislature containing cost and descriptive information for every video production service provided, and to be provided in the budget year.*

Trailer Bill Language

1. *Adopted trailer bill language requiring DGS to identify various areas of significant savings in the purchase of prescription drugs. Several million dollars in savings are expected by creating more drug purchasing contacts, requiring collaboration between departments, requiring DGS to develop an annual work plan for purchasing drugs, requiring DGS participation in drug review, and other initiatives to reduce the state's cost for purchasing drugs. Funding for three pharmacist staff is also included (\$306,000 General Fund).*
2. *Enacted language to extend for one year authorizing departments to seek outside bids (other than the Office of State Publishing) to meet their printing needs.*
3. *Established the Property Acquisition Law Money Account and specified that revenues from the sale of surplus property will be deposited in that account for payment of the Economic Recovery Bonds, until those bonds are retired. Thereafter, surplus property sale revenues will be deposited in the Special Fund for Economic Uncertainties, unless otherwise specified.*

Supplemental Report Language

1. *Adopted language that requires the department to report certain information on completed non-Prison Industry Authority purchases.*

1880 STATE PERSONNEL BOARD

- Rejected Finance Letter to augment the Peace Officer Procedural Bill of Rights mandate budget item by \$18.2 million to cover reimbursements to locals for their costs of administering the mandate in 2005-06. Instead, payment of this mandate is deferred in 2005-06.

Trailer Bill Language

1. *Adopted language to require the Commission on State Mandates to review its Statement of Decision regarding the Peace Officer Procedural Bill of Rights test claim and make any modifications necessary to be consistent with recent court decisions.*

1920 STATE TEACHERS' RETIREMENT SYSTEM

- Rejected the Governor's Budget proposal to discontinue the state's two-percent contribution to teachers' retirement, which is a \$469 million (General Fund) expenditure in 2005-06.

1955 DEPARTMENT OF TECHNOLOGY SERVICESBudget Bill Language

1. *Approved contingency Budget Bill language that assumes the Legislature will approve the Governor's Reorganization Plan to consolidate the Stephen P. Teale Data Center (Teale), the Health and Human Services Data Center (HHSDC), and certain telecommunications functions of the Department of General Services, into the new Department of Technology Services (DTS).*

Trailer Bill Language

1. *Adopted language to delete the continuous appropriation for DTS in the administration's proposed language.*

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

- Approved Governor's Budget proposal to augment one-time funding by \$246,000 (special fund) for facility renovations.

2150 DEPARTMENT OF FINANCIAL INSTITUTIONS

- Rejected Finance Letter and related trailer bill language to eliminate the Credit Union Advisory Committee within the Department. The Governor reduced the Department's budget by \$1,000 in his veto package; however, the statutory requirements concerning the Credit Union Advisory Committee, including a requirement for quarterly meetings, are unchanged.

2180 DEPARTMENT OF CORPORATIONS

- Approved Governor's Budget proposal to augment the department's budget by \$1.5 million (special fund) and 16 positions (seven limited-term) to address increased exam and licensing workload.
- Approved the Governor's Budget request to continue the Seniors Against Investment Fraud (SAIF) Program with the Department's special funds, due to lapsing grant funds. Reduced the funding from \$400,000 to \$225,000 to maintain the core program but reduced costly conference attendance, media purchases, and video production.
- Approved Finance Letter to allow the Department to receive grant funding of \$150,000 to institute a Troops Against Predatory Scams (TAPS) Investor Education Program.
- Reduced funding requested in the Governor's Budget to implement AB 2693 (Chapter 940, Statutes of 2004, Wiggins) by \$191,000 and two positions because the reduced amount would be sufficient to fund compliance investigations and "red flag" audits. Added provisional language requiring the department to report on non-compliance with AB 2693 by January 10, 2007.
- Approved the Finance Letter proposal to eliminate the Mortgage Bankers' Advisory Commission within the Department. The administration indicates there is no longer a need to have a formalized advisory body and this is a component of the Governor's Plan to eliminate 13 "nonessential" boards and commissions.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

- Modified the Governor's Chronic Homeless Initiative to: (a) reduce General Fund support for the Governor's Interagency Council on Homelessness by \$125,000; (b) eliminate \$750,000 (General Fund) for predevelopment loans and replace that funding with Proposition 63 bond funds; (c) modify the administration's trailer bill language (see trailer bill issues #4 below); and (d) use the General Fund savings to restore Emergency Housing Assistance Program (EHAP) funding to the 2004-05 level. The Governor sustained the \$864,000 augmentation for EHAP, but indicated he considers it one-time in nature.

- Approved Finance Letter to increase funding by \$1 million (special fund) and seven positions to reduce the backlog and meet future workload related to mobile home inspections. Funding requested for 2005-06 is half-year and the ongoing funding and positions double in 2006-07.

Budget Bill Language

1. *Added Budget Bill language in a Department of Transportation item to specify that \$1 million in federal transportation planning funds be used to support grants to local governments for the Housing Need Assessments. The Housing Need Assessments would be incorporated into local transportation plans. The Governor vetoed this language.*

Trailer Bill Language

1. *Adopted language to allow the use of an additional \$5.2 million in Proposition 46 bond funds to pay for repair, rehabilitation, and replacement of facilities and equipment at various state-owned migrant centers. Modified the Proposition 46 migrant housing grant program to extend the program sunset to September 1, 2006, and broaden the eligibility requirements.*
2. *Adopted language extending the Enterprise Zone Program fee-authority sunset date from July 1, 2006 to January 1, 2007.*
3. *Adopted language to limit future rent increases for residents of Office of Migrant Services facilities.*
4. *Adopted language to retain \$5 million in Proposition 46 bond funds in the Preservation Opportunity Program through 2008. The language allows funds exceeding \$5 million to be transferred to the Multifamily Housing Program.*

2320 DEPARTMENT OF REAL ESTATE

Trailer Bill Language

1. *Approved Finance Letter to eliminate the Real Estate Advisory Commission within the Department. The administration indicates there is no longer a need to have a formalized advisory body and this is a component of the Governor's Plan to eliminate 13 "nonessential" boards and commissions.*

2400 DEPARTMENT OF MANAGED HEALTH CARETrailer Bill Language

1. *Approved language to eliminate the Clinical Advisory Panel and the Managed Care Advisory Committee within the Department. The administration indicates these entities were primarily needed when the department was being implemented and this is a component of the Governor's Plan to eliminate 13 "nonessential" boards and commissions.*

2780 STEPHEN P. TEALE DATA CENTERBudget Bill Language

1. *Approved contingency Budget Bill language that assumes the Legislature will approve the Governor's Reorganization Plan to consolidate the Teale Data Center, the Health and Human Services Data Center, and certain telecommunications functions of the Department of General Services into the new Department of Technology Services (see Budget Item 1955 on a previous page).*

8260 CALIFORNIA ARTS COUNCIL

- Approved as budgeted.

8320 PUBLIC EMPLOYEE RELATIONS BOARD

- Approved Governor's Budget proposal to augment the Board's budget by \$438,000 General Fund and three positions to fund workload associated with recent legislation that has added new public employers to PERB's jurisdiction.

Budget Bill Language

1. *Rejected the administration's budget trailer bill that would shift some mediation responsibilities from the Public Employee Relations Board (PERB) to the Division of Conciliation in the Department of Industrial Relations, and shift some costs from PERB to employers and to employee organizations.*

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

- Approved Finance Letter to revert \$15.3 million for the Rural Health Care Equity Program to the General Fund. Approved trailer bill language that continuously appropriates General Fund, not to exceed \$15.3 million, to support any future Program claims that exceed ongoing Budget Act appropriations.
- Augmented the Department's budget by \$573,000 (General Fund) and 3.0 positions to implement a comprehensive salary survey.

8620 FAIR POLITICAL PRACTICES COMMISSION

- Approved as budgeted--\$6.1 million.

8855 BUREAU OF STATE AUDITS

- Augmented by \$1.15 million (General Fund) for investigative audits pursuant to Chapter 251, Statutes of 2004 (SB 1437, Speier). This augmentation proposed by the Legislature would have been funded by redirecting funding from the proposed Office of the State Inspector General. The Governor vetoed this augmentation.

8860 DEPARTMENT OF FINANCE

- Augmented by \$1.15 million (General Fund) for auditing activities by the Office of State Audits and Evaluations. This augmentation proposed by the Legislature would have been funded by redirecting funding from the proposed Office of the State Inspector General. The Governor vetoed this augmentation.
- Approved funding of \$494,000 for ongoing development of the web-based presentation of the Governor's Budget. In addition, a specified number of hard copies will be provided to the Legislature, Legislative Counsel, Legislative Analyst's Office, and state libraries.
- Approved a request for \$1.8 million (General Fund) and two positions to continue development of a Budget Information System to streamline budget processes and develop a year-round integrated budget system.
- Rejected a request to establish an Executive Council for Business Management Functions and associated Control Section 8.81 funding to pay for consultants to initiate a project to establish an enterprise architecture for business management functions. (See also Control Section 8.81)
- Established three positions and \$500,000 for two years limited term to coordinate bond activities and fund contracts with financial advisors to improve management of the state's bond debt.

8885 COMMISSION ON STATE MANDATES

- Approved as budgeted--\$1.6 million

Budget Bill Language

1. *Revises the display of mandates in the Budget Bill to consolidate the presentation of all non-education mandates—with the exception of the Seriously Emotionally Disturbed Students mandate—into Item 8885-295-0001. This budget item includes funding for 2004-05 and 2005-06 mandate costs, for a total of \$119.4 million (General Fund) for non-Proposition 98 mandates. Additionally, the following mandates are suspended for the budget year in this item:*
 - a. *Grand Jury Proceedings (Ch. 1170, Stats. 1996)*
 - b. *Sex Crime Confidentiality (Ch. 36, Stats. 1994, 1st Ex. Sess.)*
 - c. *Deaf Teletype Equipment (Ch. 1032, Stats. 1980)*
 - d. *Sex Offenders: Disclosure by Law Enforcement Officers (Ch. 908 and 909, Stats. 1996)*
 - e. *Missing Persons Report (Ch. 1456, Stats. 1988, and Ch. 59, Stats. 1993)*
 - f. *Presidential Primaries (Ch. 18, Stats. 1999)*
 - g. *Handicapped Voter Access Information (Ch. 494, Stats. 1979)*
 - h. *Substandard Housing (Ch. 238, Stats. 1974)*
 - i. *Adult Felony Restitution (Ch. 1123, Stats. 1977)*
 - j. *Airport Land Use Commissions/Plans (Ch. 644, Stats. 1994)*
 - k. *Very High Fire Hazard Severity Zones (Ch. 1188, Stats. 1992)*
 - l. *Local Coastal Plans (Ch. 1330, Stats. 1976)*
 - m. *SIDS Training for Peace Officers (Ch. 1111, Stats. 1989)*
 - n. *SIDS: Contacts by Local Health Officers (Ch. 268, Stats. 1991)*
 - o. *SIDS Autopsies (Ch. 955, Stats. 1989)*
 - p. *Inmate AIDS Testing (Ch. 1597, Stats. 1988)*
 - q. *SIDS Notices (Ch. 453, Stats. 1974)*
 - r. *Guardianship/Conservatorship Filings (Ch. 1357, Stats. 1976)*
 - s. *Victims' Statements-Minors (Ch. 332, Stats. 1981)*
 - t. *Extended Commitment, Youth Authority (Ch. 267, Stats. 1998)*
 - u. *Prisoner Parental Rights (Ch. 820, Stats. 1991)*

- v. *Structural and wildland firefighter safety clothing and equipment (8 Cal. Code Regs. 401 to 3410, incl.)*
- w. *Personal Alarm Devices (8 Cal. Code Regs. 3401(c))*
- x. *Law Enforcement Sexual Harassment Training (Ch. 126, Stats. 1993)*
- y. *Elder Abuse, Law Enforcement Training (Ch. 444, Stats. 1997)*
- z. *Redevelopment Agencies (Ch. 39, Stats. 1998)*
- aa. *Mandate Reimbursement Process (Ch. 486, Stats. 1975)*
- bb. *Filipino Employee Surveys (Ch. 845, Stats. 1978)*
- cc. *Domestic Violence Information (Ch. 1609, Stats. 1984)*
- dd. *Pocket Masks (Ch. 1334, Stats. 1987)*

Trailer Bill Language

1. *Extends the statutory repayment period for payable mandate claims prior to 2005-06 from five years to fifteen years, ending in 2020-21.*
2. *Adopted intent language for the Commission on State Mandates to reconsider the Mandate Reimbursement Process mandate and, if a mandate is found to exist, develop parameters and guidelines based on unit costs.*

8910 OFFICE OF ADMINISTRATIVE LAW

- Adopted a proposed \$224,000 (General Fund) and two-position increase for a two-year limited-term assignment to address underground regulations.

Supplemental Report Language

1. *Approved language requiring the Office of Administrative Law to report on findings and benefits to the state for adding two positions to address underground regulations.*

9100 TAX RELIEF

- Rejected a Governor's Budget proposal to reduce the Senior Citizens' Renters Tax Assistance program by \$100 million (General Fund).
- Rejected a Governor's Budget proposal to reduce the Senior Citizens' Property Tax Assistance Program by \$40.6 million (General Fund).

- Rejected a related Governor's Budget proposal to augment the Senior Citizens' Property Tax Deferral Program by \$4.7 million (General Fund). This proposal was meant to cover some of the seniors who would lose their property tax assistance due to the elimination of the Senior Citizens' Property Tax Assistance Program.

9210 LOCAL GOVERNMENT FINANCING

- Restored \$18.5 million for the Rural and Small County Law Enforcement Grants subvention, providing \$500,000 in grants to 37 rural counties. Grants are allocated pursuant to statute.
- Establishes an appropriation of \$1,186,830,000 for early repayment of the Vehicle License Fee "Gap" loan. During 2003-04, the Vehicle License Fee loan was made from local governments to the state, to be repaid by August 15, 2006.
- Approved funding of \$126 million (General Fund) for the Citizen's Option for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) grant programs. Budget bill language specifies that \$26 million will be for the JJCPA program, beginning on April 1, 2006. This difference in timing reflects a one-time adjustment to the annual allocation of JJCPA funds, based on actual cash needs during the April 1, 2006 to March 30, 2007 grant cycle.
- Eliminates budget year funding for the Property Tax Administration program for a savings of \$60 million.

Trailer Bill Language

1. *Directs the Director of Finance to suspend funding to the Property Tax Administration program grant program during the 2006-07 fiscal year, for an additional savings of \$60 million.*
2. *Restructures the Open Meetings Act mandate to clarify that the mandate conforms with recent statutory changes stating that voter-approved ballot initiatives are not mandates.*

9650 SUPPORT FOR HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

- Approved Finance Letter to augment the budget by \$34.5 million (General Fund) to back out previously anticipated Medicare Modernization Act savings, which are now not expected to accrue in 2005-06.

9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

- Approved Finance Letter adjustments for the administration's new cost estimates, but also added funding of \$8.9 million to cover costs that were omitted, but that will be incurred by the state.

9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIESBudget Bill Language

1. *Adopted budget provisional language to clarify that supplemental appropriation bills will conform to the same requirements that apply to supplemental appropriations funded by this item. These changes will require a higher level of reporting, improving the Legislature's ability to evaluate supplemental appropriation bills. Additionally, provisions were added to eliminate the Director of Finance's ability to use Item 9840 funding for the November special election.*

9955 REDUCTION FOR EMPLOYEE COMPENSATION

- Reduced the budgeted savings assumed for employee compensation reductions from \$408 million GF (as proposed in the January Governor's Budget) to \$40 million (General Fund). The administration intends to generate this savings through negotiations with employee bargaining units. The Legislature rejected the inclusion of any associated statutory amendments in the budget trailer bills.
- Approved budgeted savings of \$85.5 million from the Alternative Retirement Program, which was instituted by Chapter 214 (SB 1105, Statutes of 2004).

CONTROL SECTIONS

3.60 CONTRIBUTIONS TO PUBLIC EMPLOYEE RETIREMENT BENEFITS

- Adopted revised rates for the six retirement classes, pursuant to the new California Public Employees Retirement System Board policy of spreading market value asset gains and losses over 15 years as opposed to the current three years. Relative to the Governor's Budget, this change reduces General Fund costs by \$152.7 million in 2005-06.
- Approved Finance Letter adjustments associated with the sale of Pension Obligation Bonds, which reduce expected revenues to \$525 million General Fund (relative to \$929 million GF indicated at the time of the 2004 Budget Act).

4.01 EMPLOYEE COMPENSATION SAVINGS

- Approved language to authorize the Director of Finance to reduce Budget Act appropriations for savings related to the Alternative Retirement Plan and savings related to new collective bargaining agreements.

4.10 REPORTING REQUIREMENTS FOR UNALLOCATED REDUCTIONS

- Adopted language to require the Director of Finance to report on the unallocated reductions included in the Governor's 2005-06 budget. The report would identify the specific reduction by each department, the programmatic impact, the number of positions affected, and other descriptive information to fully disclose the impact of the unallocated reduction. The Governor vetoed this control section, claiming that it would infringe on the confidentiality of 2006-07 budget development.

5.50 CONTRACT SAVINGS

- Reversed projected ongoing savings of \$100 million, per the May Revise, that were built into the current-year budget. Savings were unachievable largely due to double-counting by departments.

8.53 NOTICE OF FEDERAL AUDIT

- Adopted language to require reporting to the Legislature when a final federal audit has been issued that results in a reduction in funds to the state.

8.81 CONSULTANT SUPPORT FOR ENTERPRISE BUSINESS SYSTEM

- Rejected the Governor's proposed Budget Bill language to provide \$1.25 million (General Fund) to the proposed Executive Council for Business Management Functions. This Council would be tasked with mapping the state's enterprise-wide business application development plan.

11.05 INFORMATION TECHNOLOGY PROJECTS – PLANNING DOCUMENTS

- Approved new language that adds reporting requirements for new projects that were funded by the Legislature, but which do not have approved project planning documents as of July 1, 2005. The language states the intent of the Legislature to not approve new projects for the 2006-07 budget that do not have approved project planning documents upon submission to the Legislature.

14.00 SPECIAL FUND LOANS: DEPARTMENT OF CONSUMER AFFAIRS

- Approved special fund loan authority for loans between Boards and Commissions in the Department of Consumer Affairs.

25.50 APPORTIONMENT PAYMENT SYSTEM

- Adopted an amended Control Section 25.50, which displays the contributions by fund for the development of the Apportionment Payment System.

33.50 STRATEGIC SOURCING

- Adopted language to require reporting to the Legislature on the amount of strategic savings achieved and detail on the nature of the savings. The Governor's May Revision estimate of no 2005-06 savings (reflecting a reduction of \$96 million relative to the Governor's Budget) was approved by the Legislature.

JUDICIARY AND GENERAL GOVERNMENT

0250 JUDICIAL BRANCH

- Approved combining the Judicial (0250) and the Trial Court Funding (0450) budgets into one budget item for the entire Judicial Branch.
- Approved the proposed increase of \$92.6 million for the trial courts to address increases in costs facing the trial courts. The increase is allocated for: (a) increased retirement costs (\$39 million); (b) pay parity due to court unification (\$3.7 million); (c) discretionary costs including salary and benefit increases (\$37.2 million); (d) increased court security costs (\$7.9 million); and (e) increased county charges (\$4.9 million).
- Approved proposal for \$13.1 million and 91.5 positions for the continuation and expansion of various administrative and information technology services to support the trial courts.
- Rejected trailer bill language proposal to increase the county obligations associated with the Maintenance of Effort payments by \$5.5 million to address unanticipated cost increases to the trial courts for various forensic evaluations.
- Approved trailer bill language to phase out the county obligation of \$31 million to trial courts for undesignated fees over five years, increase the maximum civil assessment from \$250 to \$300, and hold the General Fund harmless from any resulting revenue shortfall to the courts.
- Approved trailer bill language to create a uniform civil fee, effective January 2006. The fee provides sufficient revenue to offset the \$16.8 million that will be reduced with the sunset of the court security fee in December 2005, and generates an additional \$29.5 million annually (\$14.75 million in 2005-06) in new revenues. These new revenues would be allocated as follows: (a) to the Equal Access Fund (\$3.8 million); (b) technology projects (\$10.8 million); (c) facilities (\$9.9 million); and (d) as a set aside for county law library fee increases (\$3.7 million). The Governor reduced by veto the GF appropriation to the Trial Court Trust Fund by \$9.8 million, leaving a \$4.9 million augmentation for facilities in 2005-06. The veto message indicates that the ongoing offset to the General Fund transfer to the Trial Court Trust Fund will be \$19.6 million.
- The Governor reduced \$57.5 million as a one-time veto of a portion of the General Fund Transfer to the Trial Court Trust Fund. This action reduces the estimated reserve in the Trial Court Trust Fund from \$67.5 million to \$10 million.
- Provides an augmentation of \$130.7 million GF to the trial courts to provide funding for the State Appropriations Limit (SAL) adjustment. This total represents an increase of 6.64 percent—the final SAL May Revise calculation. Adopted Supplemental Report Language and Budget Bill Language that describes the methodology for distributing the SAL adjustment funds to the local courts.

- Adopted Supplemental Report Language directing the Judicial Council to assess the effectiveness of the Judges' Retirement System II.
- Adopted Budget Bill Language that directs up to \$5 million from the Trial Court Improvement Fund shall be expended for self-help centers and other programs to assist unrepresented litigants.
- Reappropriated \$75,000 GF for the acquisition phase of the new courthouse for the Fourth Appellate District and reverted \$2.2 million GF.

0280 COMMISSION ON JUDICIAL PERFORMANCE

- Approved as budgeted -- \$4.1 million GF.

0390 CONTRIBUTIONS TO JUDGES' RETIREMENT SYSTEM

- Approved as budgeted.

0820 DEPARTMENT OF JUSTICE

- Approved proposal for \$1.8 million GF and four positions to begin renovation of the Violent Crime Information Network and to provide the necessary level of program and technical support staff.
- Approved proposal for \$4.7 million in special funds and 12.5 positions to establish a Corporate Responsibility Unit, which would be self-funded through the Public Rights Division Law Enforcement Fund. The proposal includes trailer bill language clarifying that no General Fund augmentations shall be used for this purpose and budget bill language restricting new positions until there are sufficient funds in the Public Rights Division Law Enforcement Fund.
- Approved proposal for \$4 million GF and eight limited-term positions to begin replacement of five automated databases.
- Approved trailer bill language to establish the Legal Services Revolving Fund to improve the management of the Public Rights and the Civil Law Divisions.
- Approved proposal for a one-time augmentation of \$1.5 million GF for external consultants related to the Lloyd's of London (Stringfellow) litigation to continue to fund specialist counsel with expertise in insurance coverage litigation.
- Approved proposal for \$1.1 million GF and \$7.7 million special funds to handle increased litigation workload in the Criminal Law Section.

- Approved reduction of \$283,000 for the Spousal Abuser Prosecution Program and adopted Budget Bill Language directing DOJ to continue funding the program from within existing state operations resources.
- Approved proposal for a one-time increase of \$3.2 million in federal funds for the California Methamphetamine Strategy (CALMS) Program.
- Approved proposal for a one-time increase of \$2.6 million in federal funds for the Threat, Analysis, Reporting, and Geographic Evaluation Tool (TARGET) information system.
- Approved proposal for a one-time increase of \$2 million in federal funds for the Single-Point Information Collection and Evaluation System (SPICES).
- Adopted proposed trailer bill language to establish the Registry of Charitable Trusts Fund and approved an increase of \$2.1 million and 6.6 positions from the fund to address workload for the Registry of Charitable Trusts. As part of this request, reimbursements were reduced by \$410,000 and GF was reduced by \$906,000.
- Approved proposal for \$2.3 million and 10.8 positions for the enforcement of unfair competition and consumer protection laws, as required by Proposition 64.
- Approved proposal for \$2.5 million GF for purchase of old, outdated, and unreliable equipment for the Bureau of Forensic Services' Criminalistics Laboratory system on a one-time basis.
- Approved proposal for \$9.8 million in lease revenue funds for the construction phase of the Santa Rosa Replacement Laboratory.
- Approved proposal for a total of \$11.2 million (\$7 million from a GF loan) for the workload at the DOJ associated with the passage of Proposition 69, the DNA fingerprint, Unsolved Crime and Innocence Protection Act.
- Rejected proposal to suspend the Custody of Minors/Child Abduction and Recovery mandate.

0855 GAMBLING CONTROL COMMISSION

- Approved current-year funding for the Gambling Control Commission. This action did not include any new funds for new workload and did not include any new funds for a state gaming laboratory.
- Rejected proposal for \$276,000 from the Special Distribution Fund to reimburse the Department of General Services for inspection and validation of construction projects.
- Approved an augmentation of \$20 million on a one-time basis from the Special Distribution Fund for a total of \$50 million in 2005-06 to mitigate the impact of gaming operations on local governments. The Governor vetoed the \$20 million augmentation.

8550 CALIFORNIA HORSE RACING BOARD

- Approved as budgeted -- \$8.7 million from special funds.

8690 SIESMIC SAFETY COMMISSION

- Approved as budgeted -- \$1.1 million from special funds.

8830 CALIFORNIA LAW REVISION COMMISSION

- Approved an augmentation of \$40,000 and a 0.5 position to reduce the amount of time that attorneys spend on administrative functions.

8840 COMMISSION ON UNIFORM STATE LAWS

- Approved an augmentation of \$49,000 to fully fund the activities of the commission.

8940 MILITARY DEPARTMENT

- Approved proposal for \$250,000 from special funds to establish the California Military Family Relief Fund to provide financial aid grants to members of the California National Guard who have been called to active duty.
- Approved proposal for \$190,000 GF to implement the California National Guard Surviving Spouses and Children Relief Act.
- Approved proposal to increase funding by \$1.3 million for the Oakland Military Institute.
- Approved proposal for \$6 million GF (\$3.1 million) and federal funds (\$2.9 million) to fund preliminary plans, working drawings, and construction for the renovation of and addition to the Roseville Armory.
- Approved proposal for \$1.1 million GF and federal funds to pay for the full year impact of a Congressionally-mandated State Active Duty pay increase effective January 2005.
- Approved proposal for \$858,000 federal funds and \$431,000 GF to renovate kitchens and latrines and security lighting at selected armories.
- Approved proposal for \$1.5 million from the Armory Fund and augmented by \$700,000 for necessary repair projects at various armories to reduce the backlog of maintenance and repairs. Also augmented by \$3 million GF for this purpose. The Governor vetoed the \$3 million GF augmentation.

- Rejected proposal for \$7.2 million GF for acquisition of 30 acres for a new headquarters complex.